



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 1/6/2005

GAIN Report Number: JM5001

Jamaica & Dep

HRI Food Service Sector

Annual

2005

Approved by:

David G. Salmon
U.S. Embassy, Santo Domingo

Prepared by:

Sylburn Thomas

Report Highlights:

This is an update of the Hotel Restaurant Institution (HRI) food service sector in Jamaica

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Kingston [JM1]
[JM]

I. MARKET SUMMARY

i. Economic Situation

Following four consecutive years of contraction (1996-1999), the Jamaican economy returned to a modest growth trajectory, expanding by 0.7 percent during 2000 and by a further 1.1, 1.5 and 2.1 percent over the three ensuing years. The economy is expected to grow by two to four percent over the medium-term.

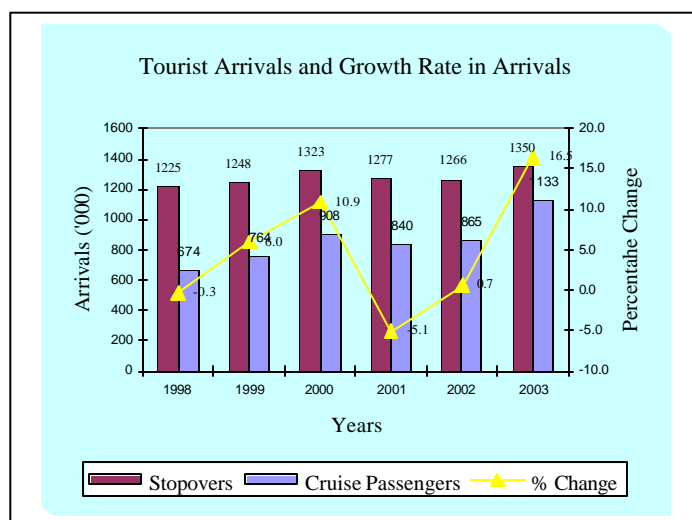


Since the 1980's, Jamaica's economic performance has been characterized by an intensifying policy-driven shift from the productive to the services sector. The services sector-- driven primarily by telecommunication, tourism, and transportation and storage-- has consistently out performed the goods sector, and its contribution to GDP increased from 65 percent to 85 percent. This asymmetric pattern of performance should strengthen, as public and private

investments continue to emphasize a "new" service-oriented economy (see JM4005 for further discussion).

ii. Tourism

a. Performance



The Jamaican tourism sector has shown tremendous resilience over the last four years, a period characterized by unprecedented challenges arising from the September 11th terrorist attacks in the United States and the September 10, 2004 hurricane that ravished the island. Following the terrorist attacks in the United States and the consequential downturn in global travel, tourist arrivals to Jamaica declined by five percent during 2001. However, by the end of 2002, tourist arrivals began to recover and during the subsequent year registered an impressive 16.5 percent increase to return to pre-September 11th

figures (see JM4003 for further discussion). Growth in the sector continued into the first six months of 2004, with stopover arrivals for the period increasing by 9.8 percent. However, the effects of Hurricane Ivan (9/04) on the sector, particularly in Negril (where approximately 24 percent of the country's total hotel rooms are located) are expected to cut into 2004 performance. Based on the rapid response of hoteliers to the hurricane crisis, with the

majority of properties expected to resume full operations for the 2005 winter season, tourism will undoubtedly return to normal in 2005.

Over the last four years, the total stock of guest rooms in the hotel sector has seen a modest 4.2 percent growth. However, extensive renovations and expansions to existing hotels following the passage of Hurricane Ivan and the recent opening of the new 360-room sandals and the 450-room RIU II hotels should accelerate the growth in total accommodations during 2004 and 2005.

The Jamaican hotel sector is well positioned to experience phenomenal growth and diversification over the medium to long-term, particularly buoyed by the increasing appetite of Spanish investors in the sector and the efforts of the Government of Jamaica (GOJ) to support the development of the tourism sector.

The increasing presence of Spanish investors in Jamaica's tourism sector will significantly expand the available stock of hotel rooms and contribute to product and market diversification. The upscale RIU hotel, which entered the Jamaican market with the construction of a 396-room hotel, has recently opened its new 450-room RIU II and immediately began construction of a third property of similar size. Grupo Pinero has acquired property to build three 600-room hotels, while the Barcelo Hotels and Resorts and Grupo Iberostar are both scheduled to enter the market with the construction of one 850-room hotel each. The Government of Jamaica has recently announced its decision to construct the country's fifth cruise shipping pier in the northwestern province (Lucea) and to support the development of the neighboring areas into a major heritage-tourism site. According to the GOJ, plans are already well advanced for the building of a 1,500-room five star hotel by a Spanish hotel chain in that general vicinity.

With investments of this magnitude over a relatively short time horizon, the Spanish hotel chains are expected to account for a significant proportion of the total stock of hotel accommodation in Jamaica. Similarly, the number of tourists from Spain and other Spanish-speaking destinations are expected to increase over the medium-term. In fact, despite the decline in global travel during 2001 and 2002, tourist arrivals to Jamaica from Spain have almost doubled each year since 2000.

The Government of Jamaica has conceptualized a project (dubbed Harmony Cove) to develop 1,400 acres of land along the north central coast into an exclusive high-end resort area and has been aggressively marketing the concept to local and international investors. The development, which aims at increasing Jamaica's presence in the high-end tourism market, is designed to include, among other things, four five-star hotels, three golf courses, 200 upscale villas, apartments, a marina and a private airport. Substantial private sector commitments to the project are expected during 2005.

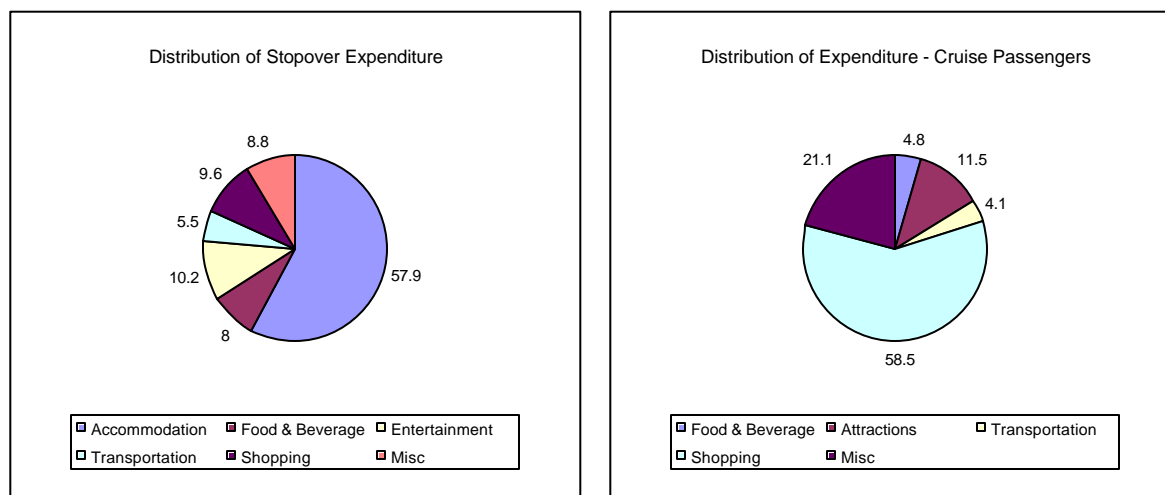
It is widely speculated among industry players that the strengthening of economic and diplomatic ties between Jamaica and China augurs well for the possibility of Chinese investments in the Jamaican tourism sector, particularly in the Harmony Cove project. The recent signing of an agreement between Jamaica and China for Jamaica to be officially recognized as a designated tourist destination for Chinese visitors is highly embraced by tourism interests as a necessary penetration of the Jamaican tourism product in the Asian market.

Jamaica Tourist Board's initiative to intensify its efforts in other markets, particularly in Europe and Asia, should improve performance of the sector and change the demographic composition of visitors to Jamaica. Currently, the United States accounts for 71.8 percent of

total tourist arrivals to Jamaica, while Europe, particularly Germans, British, Italians and Spanish, represents only 16 percent of total arrivals.

b. Consumption

Average expenditure in the hotel sector has shown only slight variations over the last four years, remaining in the neighborhood of US\$95.33 per person per night for stopover visitors and US\$80.87 per person for cruise passengers. Using the average length of stay for stopover visitors of 10.2 nights and the estimated relative contribution of food and beverage to total tourist expenditure, total food and beverage consumption in Jamaica's hotel sector during 2003 can be estimated at US\$110 million. Given the inclination of U.S. visitors to consume product with which they are familiar, a substantial proportion of this expenditure is committed to the purchase of U.S. products.



iii. Restaurants

Fast food restaurants are the single largest segment of the restaurant sub-sector in Jamaica and provide excellent marketing opportunities for U.S. high-value food products. Fast food restaurants account for an estimated 48 percent of total expenditure on meals-away-from-home. Despite the recent decline in consumption of meals-away-from-home, for some U.S. franchises demand customarily exceeds supply during peak hours, limiting the availability of certain services, such as home delivery. In Jamaica, fast food restaurants, with relatively less expensive products, provide a convenient and cost effective alternative to certain types of traditional restaurants. The concept also provides an opportunity for low to middle-income consumers who desire meals-away-from-home. As Jamaican consumers continue to embrace North American culture, fast food franchises are expected to remain strong in the Jamaican food service market.

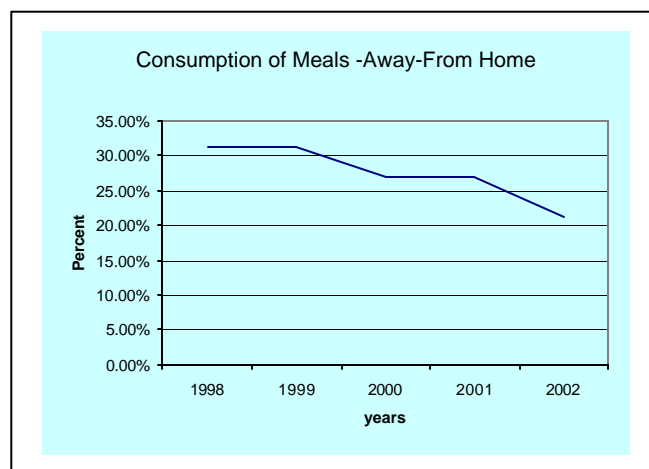
Over the last five years more than 30 restaurants have been added to the stock of fast food restaurants in Jamaica and a further 20 restaurants are projected to be added within the next two to three years. During 2004, another U.S. franchise, TGI Fridays, entered the Jamaica market, while Churches Chicken exited the market. U.S. fast food franchises are well represented in Jamaica, including Wendy's, Burger King, Popeye's, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, Subway and McDonald's. Two of the most successful local fast food chains, Island Grill and Mother's Restaurant, have experienced reasonable success and expansion. Island Grill, which boasts mostly local Jamaican cuisine, has doubling its total outlets from 5 to 10 restaurants and is now competing directly with the major U.S. franchises. Since opening in 1981, Mother's Restaurant, a hybrid of local and

U.S.-type fast food products, has expanded by an average of one store per year and now has 22 restaurants across the country. Other local restaurants have recently entered the market and are capturing market share by virtue of their delivery services. In a highly competitive Jamaican fast food restaurant market, most U.S. franchises have modified their menu to meet Jamaican consumers' taste preferences.

It is the general belief by fast food operators that, while certain segments of the market in the corporate and resort areas are maturing, there are underserved market segments, particularly in the eastern and western provinces and certain areas that are usually ignored because of social instability.

While mid-level restaurants have lost market share to fast food franchises, fine dining restaurants, which are very few in number, are doing well, patronized by the country's wealthy class and expatriate residents.

Fast food franchises use between 10-50 percent U.S. food products. The major local products that are used by fast food franchises are beef, chicken, fruit juices, vegetables, eggs and pork products. The major imported products are potatoes, French fries, oils, sauces and salad dressings, bakery products, chicken fillet and cheeses. High duties and questionable sanitary/phytosanitary regulations have created a preference for local meats, dairy products, fruits and vegetables and eggs in the restaurants sub-sector. Fine dining restaurants depend largely on imported high-value, specialty food products.



While the proportion of food and beverages consumed as meals-away-from-home has trended downward over the last five years, total consumption in the sub-sector remains a respectable US\$82 million in 2002. Of this amount, fast food restaurants account for US\$39.4 million.

iv. Institutions

Foods consumed in public institutions (hospitals, infirmaries, schools and prisons) are mostly supplied through government contracts with domestic producers groups, including the Jamaica Dairy Farmers Federation, the Beef Farmers Association, Rural Agricultural Development Authority and the Jamaica Agricultural Society. The institutional segment of the HRI market is not attractive for U.S. high-valued food and beverage products. However, bulk, unbranded commodity-type products and nutritionally enhanced lower-value products can find opportunities in this segment.

Advantages and Challenges for U.S. Products in the Jamaican Market

Advantages	Challenges
<p>The United States accounts for an overwhelming majority of Jamaica's annual tourist arrivals, creating demand for U.S. high-value products, such as fruits and vegetables, wines and beef.</p> <p>U.S. fast food franchises dominate Jamaica's restaurant segment and continue to expand.</p> <p>The proximity of Jamaica to the United States, the prevalence of U.S. cable television, and travel has created a distinct preference for U.S. foods and other consumer goods in Jamaica.</p> <p>Seasonality of domestic production and inconsistent quantity and quality of local products creates opportunity for imported products in the HRI sector during certain periods.</p> <p>The growth of the tourism industry and the services sector in general fuels greater demand for imported products.</p> <p>Increasing direct importation by large hotel chains and fast food franchises also creates significant and growing opportunities.</p>	<p>High tariff barriers, strict and many times arbitrary sanitary and phytosanitary requirements, burdensome labeling and other standards, and strong government support for domestic agriculture have caused most fast food franchises to revert to some local products, e.g., beef, fruits and vegetables, chicken and fish.</p> <p>Higher prices for U.S. products (e.g., wines, beers and frozen french fries) have caused U.S. products to lose market share to cheaper products from Canada, Chile, Italy, New Zealand and domestic production.</p> <p>Inefficient customs procedure and inadequate refrigeration facilities at ports of entry have reduced the quality of imported perishable products and increased final prices to consumers. Green Globe Certification influences hotels in favor of certain local food and beverages.</p> <p>Advances in CARICOM negotiations will allow cheaper products (breakfast cereals, bakery products, fish and rice) from other CARICOM countries.</p>

II. ROAD MAP FOR MARKET ENTRY**Entry Strategy**

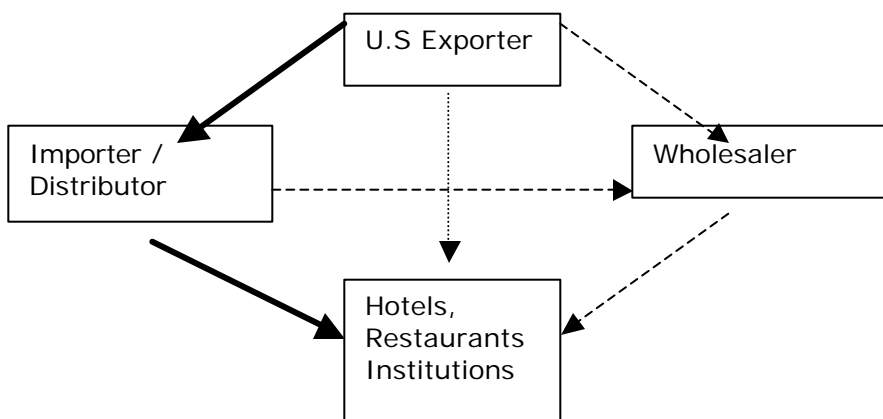
The best way to enter the hotel and traditional/fine dining restaurants segments of the Jamaican HRI food service sector is through an institutional-type local representative. Most independent hotels either do not import or import smaller quantities of specialty products that would be uneconomical for a local distributor to handle. Direct sales to local hotel chains can be successful, since in some cases the local purchasing department acts on behalf of branches in other parts of the Caribbean. Most fast food restaurants are involved in direct import and, as such, the best way to enter the fast food segment is direct sales.

Most traditional restaurants procure a wide variety of imported products from local intermediaries at frequent intervals due to the small quantities demanded. In addition to careful pricing strategies and follow-up product support on the part of the U.S. exporter, the success of imported products in the HRI sector is highly dependent on the intermediary's knowledge of and focus on institutional distribution.

III. MARKET STRUCTURE

The market structure of Jamaica's HRI food service sector has changed slightly over the past three years, but is still very simple and straightforward.

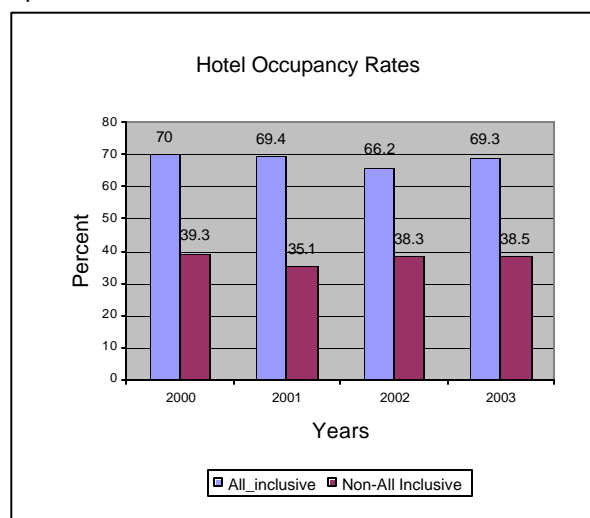
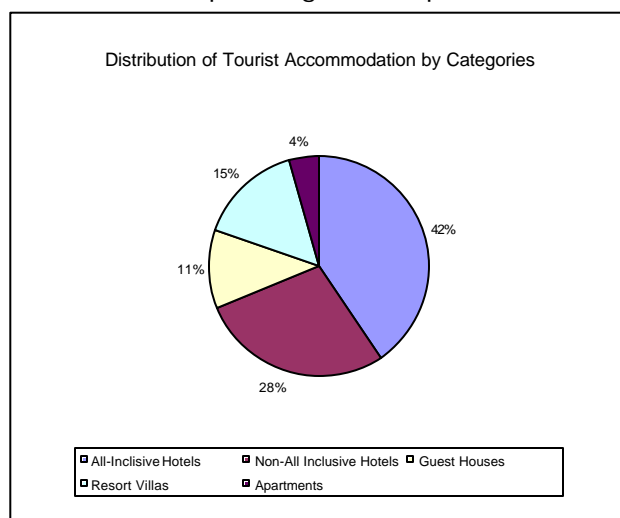
Structure of the HRI Sector



The three major changes in the structure of the hotel sector, i.e., the increasing direct importation by larger hotels, increased proportion of all-inclusive hotels in the total hotel stock, and the increased emphasis on environmental/eco-tourism, have resulted from three major factors:

1. Market liberalization and increasing price competition from all-inclusive hotels.
2. The continuous aggressive expansion, promotion and positioning of the all/super-inclusive concept by Jamaica's two largest hotel chains - Sandals and Couples Resorts- and the increasing demand for these products and services by North American visitors.
3. The introduction of Green Globe Certification as a marketing tool in the tourism industry.

Within the Jamaican tourism sector, hotels account for 70 percent of the total room capacity, with rooms dedicated to all-inclusive properties representing almost 60 percent of total hotel accommodation. Supported by demands from North American visitors, and aggressive marketing by the two largest domestic hotel chains – Superclubs and Sandals - the all-inclusive concept has grown in prevalence and reputation in the Jamaica tourism sector.



Over the last five years, occupancy levels of all-inclusive hotels have almost doubled that of non all-inclusive hotels on successive years. Central to the all-inclusive concept is a rigid cost control system, particularly in food and beverages, without compromising the quality of service. While some properties have successfully differentiated to cater to less price sensitive non all-inclusive customers, the all-inclusive concept has exerted significant competitive pressures in the sector, forcing a large number of hotels to at least adopt a hybrid of both concepts.

To achieve cost competitiveness, approximately 30 percent of the larger hotels, a few with elaborate storage facilities, have started direct importation of consolidated containers of less perishable food products and specialty items that are not available from local intermediaries. Large chain hotels, some with a Caribbean network, import products directly through a central purchasing department. Most hotels still rely on local importers, due to the lack of adequate storage facilities, low quantities demanded of individual products and lack of specialized skills to effectively handle import procedures and logistics.

In the Jamaican tourism industry, the highly desired Green Globe Certification, an eco-tourism thrust, has been changing all aspects of hotel's operations, from architectural design, equipment and furnishings, food and beverage procurement to sporting activities. The certification is based fundamentally on a holistic approach to environmental preservation and tourism. Under the Green Globe Certification, hotels are encouraged to, *inter alia*, maximize the use of local products, particularly food and beverages. This has sparked an increased propensity by certified hotels to procure products of domestic origin. Five of Jamaica's larger hotels are Green Globe certified and several others are modifying operations to fulfill the certification criteria. The Green Globe concept is an effective tool in targeting the European market.

IV. SUB-SECTOR PROFILE

a. Hotels

Company Profile

Name of hotel/ Resort	Location	Number of Hotels	Total Rooms	Purchasing Agents
Jamaica Grande	Ocho Rios	1	720	Direct/Importer
Halfmoon Hotel	Montego Bay	1	419	Direct/Importer
FDR	Runaway Bay/ Trelawny	2	172	Importer
Holiday Inn	Montego Bay	1	500	Importer
Super Clubs: Grand Lido	Negril/Trelawny	2	582	Direct/Importer N/A
Hedonism	Negril / Runaway Bay	2	514	N/A
Breezes	Montego Bay/ Runaway Bay	2	400	N/A
Wyndham	Montego Bay	1	487	Importer
Sandals & Beaches Resorts	Ocho Rios / Montego Bay	N/A	2,315	Direct/Importer
Couples Resort	Negril/ Ocho Rios	3	577	Importer
RIU	Negril	1	396	Importer

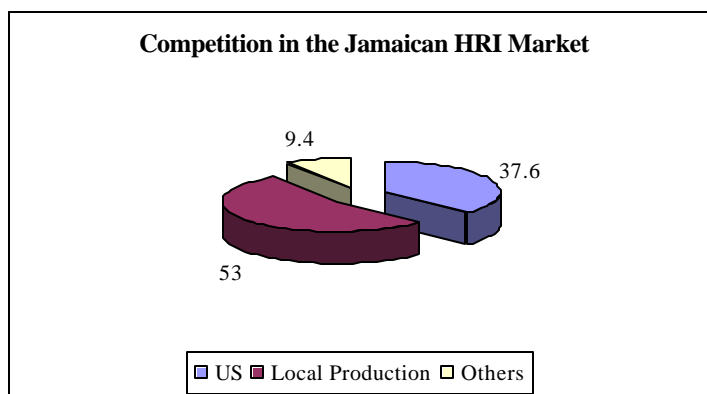
b. Restaurants

Name of Restaurant	Type	Location	Number of outlets	Purchasing Agents
Wendys	Fast Food	Kingston	2	Importer
Kentucky Fried Chicken	Fast Food	Country wide	22	Direct/Importer
Pizza Hut	Fast Food	Kingston	4	Direct/Importer
McDonalds	Fast Food	Kingston/ Montego Bay/ St. Catherine	8	Direct/Importer
Island Grill	Fast Food	Country Wide	10	Importer
Norma's	Traditional Family Type	Kingston	2	Importer
Rib Cage	Steak House	Kingston	1	Direct/Importer
Bull's Eye	Steak House	Kingston / Montego Bay	2	Direct/Importer

V. COMPETITION

In general, the primary competition to U.S. products in the HRI food service sector is from local production. Most hotels and fast food franchises source beef, chicken, pork, fruits and vegetables from the domestic market. However, local products typically loose market share to imports, due to inconsistent quantity and quality. High-priced U.S. wines have captured only a small share of the estimated US\$21 million market for wines and other alcoholic beverages in the hotels sub-sector. The major competitors to U.S. wines are Chile, Italy, France and Spain. In addition to local production, high-end U.S. beef, lamb and specialty dairy products face competition from Australia and New Zealand. Guyana is the major competitor for U.S. seafood. French fries and whole potatoes from the U.S. have been losing substantial market share to price-competitive products from Canada and the Netherlands. Most sauces, salad dressings, some fruits, vegetables, bakery products, and nuts are imported from the U.S. As U.S. products become more expensive, their overall share of the Jamaican HRI food service market could decrease in the medium term. Perceived value (price-quality relationship) is the main variable in the purchase decisions, particularly for all-inclusive hotels.

Imported food and beverages in the hotels sub-sector varies between 40 and 60 percent of total food and beverage consumption, with the U.S. presently accounting for approximately 82 percent of total imported products. The relative size of the restaurants sub-sector and its high consumption of local products have drastically reduced the position of U.S. products in the overall HRI food service sector.



VI. BEST PRODUCTS PROSPECT

a. Products present in the market with good sales potential

In the Jamaican hotel and restaurant sub-sectors, there is high demand for wine, lamb, seafood (fish, lobster, shrimp), special cut beef and veal, pork products, pasta, nuts, cheeses and other dairy products, French fries, potatoes, bakery products, sauces, vegetables and fruits (especially apples, grapes, peaches, and pears). Hotels are targeting particular groups that will create seasonal demands for certain items, such as kosher products.

b. Products not present in significant quantity but which have good sales potential.

All sub-sectors of the Jamaican HRI sector have unmet demand for pork products. However, Pseudorabies has been used as a non-tariff barrier to restrict entry of U.S. pork products into Jamaica. Specialty cheeses are also not available in sufficient quantities to hotels. The demands for seafood and kosher products are also not being completely met.

VII. POST CONTACT AND FURTHER INFORMATION

Office of Agricultural Affairs
U.S. Embassy
1st Floor - Mutual Life Building
2 Oxford Road
Kingston 5
Jamaica, W.I.

Telephone: (876) 920 - 2827
Fax: (876) 920 - 2580
Email: agkingston@usda.gov

Other Sector Reports

View other reports on the Jamaican market at <http://www.fas.usda.gov>